

Strothman & Company P S C

Certified Public Accountants & Advisors



Financial Statements and
Related Information

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2005

Table of Contents

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2005

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Financial Statement	
Combined Statement of Fiduciary Net Assets	5
Notes to Combined Statement of Fiduciary Net Assets	6
Combining Information	
Combining Statement of Fiduciary Net Assets	9
Combining Statement of Cash Receipts and Disbursements	16
Report Required by <i>Government Auditing Standards</i>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17

Independent Auditors' Report



Members of the Board
Jefferson County Board of Education
Louisville, Kentucky

We have audited the accompanying combined statement of fiduciary net assets of the Middle School Activity Funds (the "Activity Funds") of the Jefferson County Board of Education (the "Board") as of June 30, 2005. This combined statement of fiduciary net assets is the responsibility of the Board's management. Our responsibility is to express an opinion on this combined financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined statement of fiduciary net assets is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined statement of fiduciary net assets. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined statement of fiduciary net assets referred to above presents fairly, in all material respects, the net assets of the Middle School Activity Funds of the Jefferson County Board of Education as of June 30, 2005 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued a report dated September 9, 2005 on our consideration of the Activity Funds' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 and 4 is not a required part of the combined statement of fiduciary net assets, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the combined statement of fiduciary net assets taken as a whole. The combining information, listed in the preceding table of contents on pages 9 through 16, is presented for purposes of additional analysis and is not a required part of the combined statement of fiduciary net assets of the Middle School Activity Funds of the Jefferson County Board of Education. This information has been subjected to the auditing procedures applied in our audit of the combined statement of fiduciary net assets and, in our opinion, is fairly stated, in all material respects, in relation to the combined statement of fiduciary net assets taken as a whole.

Stollman & Casper PSC

Louisville, Kentucky
September 9, 2005

Management's Discussion and Analysis

Jefferson County Board of Education Middle School Activity Funds

June 30, 2005

The management team of the Jefferson County Board of Education (the "Board") presents this management's discussion and analysis of the Middle School Activity Funds (the "Activity Funds") for the fiscal year ended June 30, 2005. Please read it in conjunction with the Activity Funds' financial statement on page 5.

Government Structure

The twenty-six middle schools, special educational schools and other related facilities sponsor programs to supplement the activities provided by the Board. These supplemental activities are accounted for in various funds categorized by the particular activity or group involved. The Board prescribes policies for the supervision and administration of the Activity Funds, and generally has custodial responsibility over these funds. Such custodial responsibility is mandated by the Kentucky Department of Education.

Basic Financial Statements

This financial report includes the combined statement of fiduciary net assets and combining statements of fiduciary net assets and cash receipts and disbursements. The Independent Auditors' Report on this information precedes this Management's Discussion and Analysis.

The Activity Funds of the Jefferson County Board of Education are being presented as agency funds in accordance with Governmental Accounting Standards Board Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"* and related standards.

Financial Highlights

Total assets of all Activity Funds amounted to \$1,171,588 at June 30, 2005, consisting primarily of cash and temporary cash investments totaling \$936,822. As of June 30, 2004, total assets of the Activity Funds were \$1,099,582, of which cash and temporary cash investments amounted \$873,209.

Middle schools generate receipts for the Activity Funds primarily from athletic events admission, fund raising projects and donations, and allocations from the Board. Cash receipts of the Activity Funds amounted to \$4,142,673 during the fiscal year ended June 30, 2005, which reflects a decrease from the prior year's cash receipts of \$4,288,414. Disbursements by the Activity Funds amounted to \$4,059,060 and \$4,335,752 during the fiscal years ended June 30, 2005 and 2004, respectively.

Funding for the Activity Funds is generally dependent upon the fund raising ability of the students, parents and others in the middle schools, and the success of other programs. Continuation of the various activities in each middle school is predicated upon the students, parents and others to raise funds, upon the students' intent to continue their activities, and upon the Board's continued support of these activities.

Continued

Management's Discussion and Analysis--Continued

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2005

Contacting the Jefferson County Board of Education Financial Management

This financial report is designed to provide a general overview of the finances of the Jefferson County Board of Education Middle School Activity Funds and to show management's accountability for these funds. If you have questions about this report or need additional information, contact the Chief Financial Officer of the Jefferson County Board of Education, P. O. Box 34020, Louisville, Kentucky 40232-3674.

Combined Statement of Fiduciary Net Assets

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2005

Assets

Cash	\$ 732,073
Temporary cash investments	204,749
Accounts receivable	25,068
Accrued interest receivable	159
Due from Jefferson County Board of Education	129,814
Inventory	<u>79,725</u>
Total Assets	<u>\$ 1,171,588</u>

Liabilities

Accounts payable	\$ 90,996
Due to Jefferson County Board of Education	1,262
Due to student groups	<u>1,079,330</u>
Total Liabilities	<u>\$ 1,171,588</u>

See Notes to the Combined Statement of Fiduciary Net Assets

Notes to Combined Statement of Fiduciary Net Assets

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2005

Note A--Fund Structure and Summary of Significant Accounting Policies

Fund Structure--The Jefferson County Board of Education (the "Board") Middle School Activity Funds (the "Activity Funds") provide funding for the programs in twenty-six middle schools, special educational schools and other related facilities for Board sponsored programs, and to supplement the activities provided by the Board. The Board prescribes policies for the supervision and administration of the Activity Funds, in accordance with the requirements of the Kentucky Department of Education as set forth in its publication, "A Uniform Program of Accounting for School Activity Funds." Salaries for the treasurers of Activity Funds and other administrative support are paid by the Board and recorded in the Board's General Fund.

Middle schools generate revenue for the Activity Funds primarily from allocations from the Board, athletic event admissions, fund raising projects and donations.

Basis of Accounting--The financial statements of the Activity Funds have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The combined statement of fiduciary net assets was prepared in accordance with GASB No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"* and related standards.

In the preparation of the combined statement of fiduciary net assets for the Activity Funds, the Board has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principle Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Board has further elected not to apply FASB pronouncements issued after November 30, 1989.

The Middle School Activity Funds are fiduciary funds of the Board. For financial purposes, the accounting treatment applied to a fund is determined by its measurement focus. All fiduciary funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the combined statement of fiduciary net assets.

Inventory--Inventory, consisting primarily of bookstore supplies and vending machine supplies, is stated at the lower of cost (using first-in, first-out method) or market.

Use of Estimates--The preparation of the combined statement of fiduciary net assets requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of this financial statement. Actual results could differ from those estimates.

Notes to Combined Statement of Fiduciary Net Assets--Continued

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2005

Note B--Cash and Temporary Cash Investments

Temporary cash investments consist of certificates of deposit at various financial institutions located in Jefferson County, Kentucky, with various maturity dates and rates of interest. Such temporary cash investments are stated at cost, which approximates their market value. Accrued interest receivable is shown in a separate caption on the combined statement of fiduciary net assets.

All cash deposits and temporary cash investments of the Activity Funds are covered by depositor insurance provided by the Federal Deposit Insurance Corporation ("FDIC") of up to \$100,000 per depositor. None of the middle schools had cash deposits and temporary cash investments in excess of the FDIC insurance coverage as of June 30, 2005.

As additional security, each of the various financial institutions holding cash deposits and temporary cash investments of the Board have pledged securities (in the name of the Jefferson County Board of Education) covering such deposits and investments.

Temporary cash investment activity during the year ended June 30, 2005 is summarized as follows:

	Temporary Cash Investments July 1, 2004	Deposits	Withdrawals	Temporary Cash Investments June 30, 2005
Barret Traditional Middle School	\$ 25,000			\$ 25,000
Binet School	2,228			2,228
Carrithers Middle School	25,000			25,000
Highland Middle School	5,000			5,000
Iroquois Middle School	5,274			5,274
Thomas Jefferson Middle School	10,000			10,000
Knight Middle School	10,000			10,000
Myers Middle School	50,738			50,738
Noe Middle School	10,000			10,000
Southern Middle School	20,000		\$ 20,000	
Stuart Middle School	54,528			54,528
Westport Middle School	6,981			6,981
	<u>\$ 224,749</u>	<u>\$ 0</u>	<u>\$ 20,000</u>	<u>\$ 204,749</u>

Notes to Combined Statement of Fiduciary Net Assets--Continued

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2005

Note C--Due To/From Jefferson County Board of Education

Amounts due from the Board consist primarily of reimbursements of costs and expenses incurred by the middle schools. These amounts are usually repaid by the Board promptly.

The amounts due to the Board consist primarily of supplies and services provided by the Board to the various schools. These amounts are usually reimbursed to the Board promptly.

Note D--Future Funding

Funding for the Activity Funds is generally dependent upon the fund raising ability of the students, parents and others in the middle schools and the success of the other programs. Continuation of the various activities in each middle school is predicated upon the ability of students, parents and others to raise funds, the students' intent to continue their activities, and upon the Board's continued support of these activities.

Combining Information

Combining Statement of Fiduciary Net Assets

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2005

	Total	Barret Traditional Middle School	Binet School	Carrithers Middle School
Assets				
Cash	\$ 732,073	\$ 49,831	\$ 14,907	\$ 12,471
Temporary cash investments	204,749	25,000	2,228	25,000
Accounts receivable	25,068	1,303		35
Accrued interest receivable	159			42
Due from Jefferson County Board of Education	129,814		1,619	1,194
Inventory	79,725	5,918	89	3,770
Total Assets	\$ 1,171,588	\$ 82,052	\$ 18,843	\$ 42,512
Liabilities				
Accounts payable	\$ 90,996	\$ 6,546		\$ 230
Due to Jefferson County Board of Education	1,262			
Due to student groups	1,079,330	75,506	\$ 18,843	42,282
Total Liabilities	\$ 1,171,588	\$ 82,052	\$ 18,843	\$ 42,512

Continued

Combining Statement of Fiduciary Net Assets--Continued

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2005

	Conway Middle School	Crosby Middle School	Duvalle Education Center	Farnsley Middle School
Assets				
Cash	\$ 8,404	\$ 46,174	\$ 12,478	\$ 35,660
Temporary cash investments				
Accounts receivable	7,638		32	
Accrued interest receivable				
Due from Jefferson County Board of Education	12,782	2,315	31,423	2,420
Inventory	450	262	557	3,474
Total Assets	\$ 29,274	\$ 48,751	\$ 44,490	\$ 41,554
Liabilities				
Accounts payable	\$ 18,099	\$ 1,000	\$ 645	\$ 889
Due to Jefferson County Board of Education				
Due to student groups	11,175	47,751	43,845	40,665
Total Liabilities	\$ 29,274	\$ 48,751	\$ 44,490	\$ 41,554

Continued

Combining Statement of Fiduciary Net Assets--Continued

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2005

	Frost Middle School	Highland Middle School	Iroquois Middle School	Jefferson County Traditional Middle School
Assets				
Cash	\$ 3,428	\$ 48,813	\$ 27,429	\$ 31,493
Temporary cash investments		5,000	5,274	
Accounts receivable			138	
Accrued interest receivable		3	7	
Due from Jefferson County Board of Education	7,106	1,000	1,943	
Inventory	568	1,347	446	3,715
Total Assets	\$ 11,102	\$ 56,163	\$ 35,237	\$ 35,208
Liabilities				
Accounts payable	\$ 2,362			\$ 20
Due to Jefferson County Board of Education	1,121			
Due to student groups	7,619	\$ 56,163	\$ 35,237	35,188
Total Liabilities	\$ 11,102	\$ 56,163	\$ 35,237	\$ 35,208

Continued

Combining Statement of Fiduciary Net Assets--Continued

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2005

	Thomas Jefferson Middle School	Johnson Traditional Middle School	Kammerer Middle School	Alex R. Kennedy Metro Middle School
Assets				
Cash	\$ 31,376	\$ 27,466	\$ 30,171	\$ 17,309
Temporary cash investments	10,000			
Accounts receivable		2,097		
Accrued interest receivable	24			
Due from Jefferson County Board of Education	3,825	1,587	4,762	432
Inventory	4,583	5,873	4,068	34
Total Assets	\$ 49,808	\$ 37,023	\$ 39,001	\$ 17,775
Liabilities				
Accounts payable	\$ 9,891	\$ 10,181	\$ 507	\$ 36
Due to Jefferson County Board of Education				
Due to student groups	39,917	26,842	38,494	17,739
Total Liabilities	\$ 49,808	\$ 37,023	\$ 39,001	\$ 17,775

Continued

Combining Statement of Fiduciary Net Assets--Continued

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2005

	Knight Middle School	Lassiter Middle School	Meyzeek Middle School	Myers Middle School
Assets				
Cash	\$ 6,385	\$ 778	\$ 51,815	\$ 19,933
Temporary cash investments	10,000			50,738
Accounts receivable			3,697	
Accrued interest receivable	36			25
Due from Jefferson County Board of Education	1,514	4,193	2,572	
Inventory	3,956	2,597	2,266	1,233
Total Assets	\$ 21,891	\$ 7,568	\$ 60,350	\$ 71,929
Liabilities				
Accounts payable	\$ 166		\$ 2,417	\$ 90
Due to Jefferson County Board of Education			141	
Due to student groups	21,725	7,568	57,792	71,839
Total Liabilities	\$ 21,891	\$ 7,568	\$ 60,350	\$ 71,929

Continued

Combining Statement of Fiduciary Net Assets--Continued

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2005

	Newburg Middle School	Noe Middle School	Southern Middle School	Stuart Middle School
Assets				
Cash	\$ 95,716	\$ 78,232	\$ 10,423	\$ 3,664
Temporary cash investments		10,000		54,528
Accounts receivable	50	977		
Accrued interest receivable				10
Due from Jefferson County Board of Education	2,016	2,526	6,542	6,476
Inventory	12,969	5,303	46	12,644
Total Assets	\$ 110,751	\$ 97,038	\$ 17,011	\$ 77,322
Liabilities				
Accounts payable	\$ 3,432	\$ 354		\$ 746
Due to Jefferson County Board of Education				
Due to student groups	107,319	96,684	\$ 17,011	76,576
Total Liabilities	\$ 110,751	\$ 97,038	\$ 17,011	\$ 77,322

Continued

Combining Statement of Fiduciary Net Assets--Continued

**Jefferson County Board of Education
Middle School Activity Funds**

June 30, 2005

	Waller Williams Environmental School	Western Middle School	Westport Middle School
Assets			
Cash	\$ 4,225	\$ 23,051	\$ 40,441
Temporary cash investments			6,981
Accounts receivable		198	8,903
Accrued interest receivable			12
Due from Jefferson County Board of Education	220	31,211	136
Inventory		1,012	2,545
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 4,445	\$ 55,472	\$ 59,018
	<hr/>	<hr/>	<hr/>
Liabilities			
Accounts payable		\$ 32,156	\$ 1,229
Due to Jefferson County Board of Education			
Due to student groups	\$ 4,445	23,316	57,789
	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 4,445	\$ 55,472	\$ 59,018
	<hr/>	<hr/>	<hr/>

See Independent Auditors' Report

Combining Statement of Cash Receipts and Disbursements

**Jefferson County Board of Education
Middle School Activity Funds**

Year Ended June 30, 2005

Name of School	Cash Balance July 1, 2004	Receipts	Disbursements	Cash Balance June 30, 2005
Barret Traditional Middle School	\$ 38,915	\$ 188,966	\$ 178,050	\$ 49,831
Binet School	7,332	59,595	52,020	14,907
Carrithers Middle School	10,367	118,475	116,371	12,471
Conway Middle School	11,004	179,941	182,541	8,404
Crosby Middle School	50,166	267,151	271,143	46,174
Duvalle Education Center	38,689	397,397	423,608	12,478
Farnsley Middle School	41,965	114,516	120,821	35,660
Frost Middle School	4,276	78,862	79,710	3,428
Highland Middle School	26,632	156,291	134,110	48,813
Iroquois Middle School	31,513	75,440	79,524	27,429
Jefferson County Traditional Middle School	28,769	222,765	220,041	31,493
Thomas Jefferson Middle School	32,466	192,974	194,064	31,376
Johnson Traditional Middle School	24,863	189,513	186,910	27,466
Kammerer Middle School	29,739	181,644	181,212	30,171
Alex R. Kennedy Metro Middle School	21,085	14,005	17,781	17,309
Knight Middle School	3,052	68,259	64,926	6,385
Lassiter Middle School	6,812	100,979	107,013	778
Meyzeek Middle School	12,100	262,151	222,436	51,815
Moore Traditional Middle School	5,984		5,984	
Myers Middle School	3,913	158,954	142,934	19,933
Newburg Middle School	66,089	230,836	201,209	95,716
Noe Middle School	74,112	386,186	382,066	78,232
Southern Middle School	(1,241)	87,219	75,555	10,423
Stuart Middle School	13,764	162,814	172,914	3,664
Waller Williams Environmental School	5,026	21,044	21,845	4,225
Western Middle School	26,339	63,228	66,516	23,051
Westport Middle School	34,729	163,468	157,756	40,441
Total	\$ 648,460	\$ 4,142,673	\$ 4,059,060	\$ 732,073

See Independent Auditors' Report

Report Required by *Government Auditing Standards*

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***



Members of the Board
Jefferson County Board of Education
Louisville, Kentucky

We have audited the combined statement of fiduciary net assets of the Middle School Activity Funds (the "Activity Funds") of the Jefferson County Board of Education (the "Board") as of and for the year ended June 30, 2005, and have issued our report thereon dated September 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Activity Funds' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined statement of fiduciary net assets and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the combined statement of fiduciary net assets being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Activity Funds' combined statement of fiduciary net assets is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the members of the Board, management, the Kentucky Department of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Stallman & Company PSC

Louisville, Kentucky
September 9, 2005